

**CHISHOLM TRAIL RECREATION COMMISSION  
CLEARWATER, KANSAS**

**FINANCIAL STATEMENT  
JUNE 30, 2018**

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**BUSBY FORD & REIMER, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS

**CHISHOLM TRAIL RECREATION COMMISSION**  
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**JUNE 30, 2018**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### **Chisholm Trail Recreation Commission Clearwater, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the **Chisholm Trail Recreation Commission, Clearwater, Kansas**, as of and for the year ended **June 30, 2018**, and the related notes to the financial statement.

#### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Chisholm Trail Recreation Commission**

### *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

As described in Note 1 of the financial statement, the financial statement is prepared by the **Chisholm Trail Recreation Commission, Clearwater, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **Chisholm Trail Recreation Commission, Clearwater, Kansas**, as of **June 30, 2018**, or changes in financial position and cash flows thereof for the year then ended.

### *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the **Chisholm Trail Recreation Commission, Clearwater, Kansas**, as of **June 30, 2018**, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

## **Chisholm Trail Recreation Commission**

The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

The 2017 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2017 basic financial statement upon which we rendered an unmodified opinion dated August 29, 2017. The 2017 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the 2017 basic financial statement as a whole, on the basis of accounting described in Note 1.

***Busby Ford & Reimer, LLC***

Busby Ford & Reimer, LLC  
November 2, 2018

**CHISHOLM TRAIL RECREATION COMMISSION  
SUMMARY OF CASH RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Fund	Beginning	Prior Year			Ending	Add	Ending Cash
	Unencumbered Cash Balance	Canceled Encumbrances	Cash Receipts	Expenditures	Unencumbered Cash Balance	Encumbrances and Accounts Payable	Balance
General Fund	<u>\$ 132,604</u>	<u>\$ 0</u>	<u>\$ 224,075</u>	<u>\$ 189,969</u>	<u>\$ 166,710</u>	<u>\$ 0</u>	<u>\$ 166,710</u>
Composition of Cash:					Checking, Money Market & CD		<u>\$ 166,710</u>
							<u>\$ 166,710</u>

The notes to the financial statement are an integral part of this statement.

**CHISHOLM TRAIL RECREATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2018**

**Note 1 - Summary of Significant Accounting Policies:**

Financial Reporting Entity

**Chisholm Trail Recreation Commission, Clearwater, Kansas**, is a recreation commission established under State of Kansas statutes designed to provide recreational services in and around Clearwater, Kansas. The Commission is governed by an elected five-member Board. The Commission's financial statement includes all funds over which the commission exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

**KMAAG Regulatory Basis of Presentation Fund Definitions:**

General Fund-The primary operating fund. Used to account for all unrestricted resources except those required to be accounted for in another fund.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the Commission. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget at least ten days before the hearing.
2. Public hearing at least ten days after publication of notice of hearing and at least ten days before certification of the budget to the Commission.
3. Certification of the final budget to the Commission on or before August 1<sup>st</sup>.

**CHISHOLM TRAIL RECREATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2018**

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was not amended during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

**Note 2 - USD Football Field and Track Lease Commitment:**

The Recreation Commission, in 2013, entered into an agreement with Clearwater USD 264 related to improvements for the football stadium and track. The Commission has agreed to maintain the current mill levy at the completion of the aforementioned lease agreement with the City of Clearwater and remit 1.5 mills to Clearwater USD 264. It is anticipated that payments will total \$75,000 per year with the mill rate to remain at this level for not more than 10 years. During the year ended June 30, 2018, a payment of \$90,512 was collected and remitted.

2019	\$ 75,000
2020	75,000
2021	75,000
2022	75,000
2023	36,228
Total future minimum lease payments	<u>\$ 336,228</u>

**Note 3 - Reimbursed Expenses:**

The Commission records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

**CHISHOLM TRAIL RECREATION COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2018**

**Note 4 - Deposits:**

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2018.

At June 30, 2018, the Commission's carrying amount of deposits was \$166,710 and the bank balance was \$170,208. The bank balance is held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

**Note 5 - Contingencies:**

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

**Note 6 - Subsequent Events:**

The Commission has evaluated subsequent events through November 2, 2018, the date which the financial statement was available to be issued.

**REGULATORY REQUIRED  
SUPPLEMENTARY INFORMATION**

**CHISHOLM TRAIL RECREATION COMMISSION  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 227,578	\$ 0	\$ 227,578	\$ 189,969	\$ (37,609)

**CHISHOLM TRAIL RECREATION COMMISSION  
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>General Fund</u>	<u>Current Year</u>		Variance - Over (Under)
	Prior Year Actual	Actual      Budget	
Cash Receipts			
Appropriations	\$ 204,467	\$ 205,105    \$ 200,000	\$ 5,105
Interest	310	613      150	463
Fees and Other	20,393	18,330      19,300	(970)
Reimbursements	0	27      0	27
	<u>225,170</u>	<u>224,075</u> <u>\$ 219,450</u>	<u>\$ 4,625</u>
Expenditures	<u>218,280</u>	<u>189,969</u> <u>\$ 227,578</u>	<u>\$ (37,609)</u>
	<u>218,280</u>	<u>189,969</u> <u>\$ 227,578</u>	<u>\$ (37,609)</u>
Receipts Over (Under) Expenditures	6,890	34,106	
Unencumbered Cash, Beginning	125,714	132,604	
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>	
Unencumbered Cash, Ending	<u>\$ 132,604</u>	<u>\$ 166,710</u>	